

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

Reese & Novelly, P.A.
Certified Public Accountants
Manhattan, Kansas

Audited Financial Statements and Other Financial Information

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

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REESE & NOVELLY, P.A.
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INDEPENDENT AUDITORS' REPORT

Riley County Law Enforcement Agency Board
Manhattan, Kansas 66502

We have audited the accompanying financial statements of Riley County Police Department (Department) as of and for the year ended December 31, 2010 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

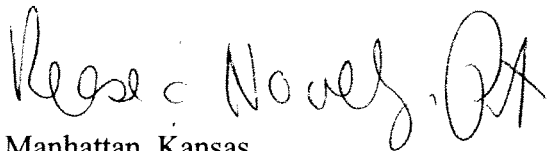
As described more fully in Note A, the Department has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department, as of December 31, 2010, the changes in its financial position, for the year then ended. Further, the Riley County Police Department, Manhattan, Kansas, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the Department, as of December 31, 2010, and their respective cash receipts and expenditures, and budgetary results for the year there ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2011 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The schedule of fixed assets, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in dark ink, appearing to read "Rose C. Nowell, CPA". The signature is fluid and cursive, with a large, stylized "R" and "N".

Manhattan, Kansas
July 7, 2011

FINANCIAL STATEMENTS

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND
UNENCUMBERED CASH (STATEMENT 1)**

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General	\$ 692,275	\$
Special Revenue:		
Emergency Reserve Fund	700,000	
Seizure Fund	73,480	
Activity Fund	3,474	
Bears on Patrol	3,484	
Auxiliary Fund	5,849	
Jail Literacy Fund	55	
Statutory Registration Fund	25,715	
Justice Assistance Grant	35,444	
Medical Reimbursement Fund	462,631	
TOTAL SPECIAL REVENUE	1,310,132	-
TOTAL REPORTING ENTITY	\$ 2,002,407	\$ -

See notes to financial statements.

Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ 15,267,959	\$ 14,711,664	\$ 1,248,570	\$ 503,191	\$ 1,751,761
		700,000		700,000
136,858	39,716	170,622		170,622
7,593	9,301	1,766		1,766
		3,484		3,484
1,290	497	6,642		6,642
100	20	135		135
11,942	17,341	20,316		20,316
14	27,247	8,211		8,211
113,098	44,262	531,467		531,467
270,895	138,384	1,442,643	-	1,442,643
\$ 15,538,854	\$ 14,850,048	\$ 2,691,213	\$ 503,191	\$ 3,194,404

Composition of Cash:

Checking accounts	\$ 743,914
Funds held by Riley County Treasurer	2,445,726
Petty cash funds	5,294
Special cash seizures	27,763
Fees account	3,882
Inmate account	25,387
TOTAL CASH	3,251,966
Agency Funds per Statement 4	(57,562)
TOTAL REPORTING ENTITY (EXCLUDING AGENCY FUNDS)	\$ 3,194,404

**SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL
BUDGETED FUNDS ONLY (STATEMENT 2)**

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credit</u>
Governmental Fund Types:		
General	\$ 15,089,461	\$ 379,985

See notes to financial statements.

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Favorable (Unfavorable) Variance</u>
\$ 15,469,446	\$ 14,711,664	\$ 757,782

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND - (STATEMENT 3)**

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Taxes:			
City of Manhattan	\$ 11,847,984	\$ 11,847,984	\$ -
Riley County	2,961,996	2,961,996	-
TOTAL TAXES	14,809,980	14,809,980	-
Intergovernmental Revenue:			
Grants		91,491	91,491
Charges for services:			
Restitution		2,968	2,968
Miscellaneous:			
Commissions		18,684	18,684
Reimbursement		330,511	330,511
Copy fees	9,038	14,325	5,287
TOTAL MISCELLANEOUS	9,038	363,520	354,482
TOTAL CASH RECEIPTS	14,819,018	15,267,959	448,941
Expenditures:			
Personnel and employee benefits	13,041,835	12,419,786	622,049
Contractual services and other charges:			
Utilities	207,001	238,768	(31,767)
Insurance	250,000	156,630	93,370
Professional fees	50,000	47,421	2,579
Education/training/travel	80,000	107,128	(27,128)
Prisoner food & care	150,000	173,781	(23,781)
Community service	8,500	576	7,924
Other contractals	246,000	355,142	(109,142)
Vehicle materials and supplies	255,000	220,202	34,798

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND - (STATEMENT 3)**

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	Budget	Actual	Favorable (Unfavorable) Variance
Expenditures - continued			
Uniforms and accessories	55,000	51,652	3,348
Office supplies	50,125	46,482	3,643
Replenishment supplies	30,000	40,035	(10,035)
Other materials and supplies	7,000	12,451	(5,451)
Maintenance and repairs	168,000	219,450	(51,450)
 TOTAL CONTRACTUAL SERVICES AND OTHER CHARGES	 1,556,626	 1,669,718	 (113,092)
Capital outlay:			
Communications equipment	13,000	16,814	(3,814)
Guns and crime equipment	43,000	42,738	262
Office furniture	10,000	25,654	(15,654)
Office equipment	100,000	206,192	(106,192)
Motor vehicles	200,000	220,022	(20,022)
Grant reserves and contingencies	125,000		125,000
 TOTAL CAPITAL OUTLAY	 491,000	 511,420	 (20,420)
Transfers out		110,740	(110,740)
Qualifying budget credits	379,985		379,985
 TOTAL EXPENDITURES	 15,469,446	 14,711,664	 757,782
 Receipts over (under) expenditures	 (650,428)	 556,295	 1,206,723
Beginning Unencumbered Cash Balance	650,428	692,275	41,847
 Ending Unencumbered Cash Balance	 \$ -	 \$ 1,248,570	 \$ 1,248,570

See notes to financial statements.

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES
NON-BUDGETED SPECIAL REVENUE FUNDS (STATEMENT 3)

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	Emergency Reserve Fund	Seizure Fund	Activity Fund	Bears on Patrol
Cash Receipts:				
Seizures	\$	\$ 95,074	\$	
Licenses, permits and fees				
Interest		1,439		
Commissions			2,174	
Donations			1,939	
Miscellaneous		40,345	3,480	
Transfers				
TOTAL CASH RECEIPTS	-	136,858	7,593	-
Expenditures:				
Personnel and employee benefits				
Contractuals and other charges		39,312	6,684	
Materials and supplies			2,617	
Capital outlay		404		
TOTAL EXPENDITURES	-	39,716	9,301	-
Receipts over (under) expenditures		97,142	(1,708)	
Beginning unencumbered cash balance	700,000	73,480	3,474	3,484
Ending Unencumbered Cash Balance	\$ 700,000	\$ 170,622	\$ 1,766	\$ 3,484

See notes to financial statements.

<u>Auxiliary Fund</u>	<u>Jail Literacy Fund</u>	<u>Statutory Fund</u>	<u>Justice Assistance Grant</u>	<u>Medical Reimbursement Fund</u>
\$	\$	\$	\$	\$
		11,813		
		129	14	2,358
1,290	100			
				110,740
<u>1,290</u>	<u>100</u>	<u>11,942</u>	<u>14</u>	<u>113,098</u>
				44,262
497				
	20			
		17,341	27,247	
<u>497</u>	<u>20</u>	<u>17,341</u>	<u>27,247</u>	<u>44,262</u>
793	80	(5,399)	(27,233)	68,836
<u>5,849</u>	<u>55</u>	<u>25,715</u>	<u>35,444</u>	<u>462,631</u>
<u>\$ 6,642</u>	<u>\$ 135</u>	<u>\$ 20,316</u>	<u>\$ 8,211</u>	<u>\$ 531,467</u>

**SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS AND UNENCUMBERED
CASH - AGENCY FUNDS - (STATEMENT 4)**

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<u>FUNDS</u>				
Tax and Fees Account	\$ 4,081	\$ 17,582	\$ 17,781	\$ 3,882
Special Cash Seizure Fund	39,413	28,218	39,338	28,293
Inmate fund	23,344	165,490	163,447	25,387
TOTAL AGENCY FUNDS	<u>\$ 66,838</u>	<u>\$ 211,290</u>	<u>\$ 220,566</u>	<u>\$ 57,562</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Riley County Police Department (Department) was chartered January 1, 1974, and operates as a municipal corporation governed by the Riley County Law Enforcement Agency Board. The board consists of seven board members: one Riley County, Kansas (County) commissioner, one City of Manhattan, Kansas (City) commissioner, one appointed member from the County, two appointed members from the City and one alternate appointed member from either the City or the County and the Riley County Attorney. The accounting policies of the Department conform to the cash-basis and budget laws of Kansas (statutory basis). The following is a summary of the more significant policies:

1. Financial Reporting Entity: The financial reporting entity of the Department is comprised of the primary government.

The basic criterion for including a separate governmental entity in the Department's financial reporting entity is the financial accountability of the Department for the separate entity. The Department is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government. There were no component units.

2. Fund Accounting: The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

3. Basis of Presentation: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and the expenditure would be charged in the fund from which the transfer is made.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles: The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Department are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

4. Budgetary Information: Kansas statute, K.S.A. 19-4443 require that an annual operating budget be submitted to the Board of County Commissioners of Riley County and to the governing bodies of each incorporated city within the County. K.S.A. 19-4443 and K.S.A. 79-2929 provide for the following sequence and time table in the preparation and submission of the budget:
 - a. Not less than 10 days prior to submitting such budget, the Department shall hold a hearing thereon in accordance with the provisions of K.S.A. 79-2929, and amendments thereto. K.S.A. 79-2929 states that the governing body shall give at least 10 days notice of the time and place of the meeting by publications in a weekly or daily newspaper.
 - b. Submission of budget to Board of County Commissioners and to the governing bodies of incorporated cities within the county must be completed on or before the first Monday in July of each year.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Department for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following special revenue funds:

- Seizure fund
- Emergency reserve fund
- Activity fund
- Auxiliary Fund
- Special Donation Funds
- Medical reimbursement fund
- Statutory Fees

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Compensated Absences: The Department has a policy regarding paid earned time, sick leave and compensatory absences. Earned time is accounted for in a leave bank which includes but does not differentiate between holiday, personal days, and vacation. Sick leave, injury leave, administrative leave, and compensatory time are not included in the leave bank. The Department allows employees to accumulate a maximum of 320 to 488 hours of earned time. Upon termination or resignation from service with the Department, employees are entitled to payment of all accrued time accounted for in the leave bank earned prior to termination or resignation. All employees earn and accumulate sick leave at the rate of one working day for each month of service with a maximum carryover of 1,120 hours.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

Upon retirement or resignation the Department will pay an employee, having completed twenty years of service and leaving in good standing, an amount equal to fifty percent of the employee's accumulated hours of sick leave at the time of retirement or resignation. An employee with less than twenty years of service and leaving in good standing will receive an amount equal to thirty-three and a third percent of their accumulated hours upon separation.

If all conditions are met, the employee will be compensated in accordance with the personnel regulations. As of December 31, 2010, accumulated earned leave, sick leave and compensatory absences due is:

Leave bank	\$ 936,858
Sick leave	727,784
Compensatory time	42,669
Payroll taxes	130,609
Balance at 12/31/2010	<u>\$ 1,837,920</u>

NOTE B—DEPOSITS

As of December 31, 2010, the Department has no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Department. The statute requires banks eligible to hold the Department's funds have a main or branch bank in the county in which the Department is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Department has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Department's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Department has no investment policy that would further limit its investment choices. As noted above, the Department currently does not have any investments and therefore does not have a rating.

Concentration of credit risk: State statutes place no limit on the amount the Department may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State statutes require the Department's deposits in financial institutions to be entirely covered by federally depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the Department's deposits, including certificates of deposit, was \$802,240 and the bank balance was \$1,216,150. Funds held by the Riley County Treasurer and Keating & Associates amounted to \$2,445,726 and \$4,000, respectively. The difference between the carrying amount, exclusive of funds held by the Riley County Treasurer and Keating & Associates, and the bank balance is outstanding checks and deposits in transit. The bank balances were held by two banks which does not result in a concentration of credit risk. Of the bank balance, \$281,073 was covered by federal depository insurance and remaining \$935,077 was collateralized with pledged securities held under joint custody receipts issued by a third-party bank in the Department's name. The funds held by the County Treasurer are included as agency funds in Riley County's financial statements, and the risk categories are disclosed in those statements.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE C—DEFINED BENEFIT PENSION PLAN

The Department participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603-3925) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at four percent and six percent (non school tier 2) of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at seven percent of covered salary and two percent. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

The KPERS employer rate established by statute for January 1, 2010 thru March 31, 2010 and July 1, 2010 thru December 31, 2010 was 7.14 percent. For the period of April 1, 2010 thru June 30, 2010 the state issued a moratorium on the employer's insurance contributions of one percent, setting the employer's rate to 6.14 percent. The Department's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008, were \$221,447, \$173,988, and \$144,440, respectively, equal to the required contributions for each year.

The KP&F employer rate established for the calendar year beginning in 2010 was 12.86 percent. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The Department's employer contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$775,293, \$752,234, and \$727,828, respectively, equal to the required contributions for each year.

NOTE D—DEFERRED COMPENSATION

The Department participates in an Employees' Deferred Compensation Plan, as authorized by K.S.A. 75-5529a and 75-5529b and created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Department is not responsible for any loss incurred by an employee under the Department's deferred compensation plan. All conditions of the plan shall be controlling.

NOTE E—MEDICAL REIMBURSEMENT PLAN

In the summer of 2003 the Department established a Medical Reimbursement Fund (a Special Revenue Fund) to account for and finance its medical reimbursement plan. Due to the increased costs of health insurance premiums the Department found it advantageous to purchase a commercial insurance policy for all full-time employees with a higher deductible, and then use the funds in the Medical Reimbursement Fund to pay for fifty percent of the employee's deductible that is incurred each year. The Department contracts with Keating & Associates to provide administrative services. A single health insurance premium includes a \$2,500 deductible in 2010 and 2009. Under this medical reimbursement plan the employee is then allowed to turn in any amounts paid for the deductible and be reimbursed fifty percent of the deductible. During the 2010 and 2009 years, approximately 166 and 160 employees, respectively, qualified and participated in the plan, therefore the Department had the potential to pay out approximately \$207,500 in 2010 and \$200,000 in 2009. The total claims paid in 2010 and 2009 were \$44,262, and \$45,616.

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

NOTE F—OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Department allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Department under this program.

NOTE G—COMMITMENTS AND CONTINGENCIES

Risk Management: The Department is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are \$10,000 or less. Insurance claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Pending Administrative Proceedings before the Kansas Human Rights Commission (KHRC): The Department is involved in an administrative charge currently before the KHRC. The ultimate outcomes of such proceedings are uncertain. Management and legal counsel are also uncertain of any economic impact to the Department.

Pending Litigation

The Department is a defendant in several lawsuits. The ultimate outcome of such litigation is uncertain. Management and legal counsel are also uncertain of any economic impact to the Department.

NOTE H— TRANSFERS

The Law Board approved the following operating transfers:

FROM	TO	Statutory Authority	Amount
General Fund	Medical Reimbursement	KSA 12-1674	\$ 110,740

NOTES TO FINANCIAL STATEMENTS

RILEY COUNTY POLICE DEPARTMENT

December 31, 2010

NOTE I—MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

In preparing these financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through July 11, 2011, the date the financial statements were available to be issued.

The pending administrative charge disclosed in Note G; was closed due to a no probable cause finding on March 07, 2011.

OTHER FINANCIAL INFORMATION

SCHEDULE A - COMPOSITION OF ENDING CASH BALANCES

RILEY COUNTY POLICE DEPARTMENT

Year Ended December 31, 2010

RILEY COUNTY POLICE DEPARTMENT

Checking accounts:

Kansas State Bank - Special activity	\$	17,557	
Kansas State Bank - Justice Assistant Grant		8,211	
Kansas State Bank - Medical reimbursement		527,467	
Keating & Associates - Medical reimbursement		4,000	
Kansas State Bank- Statutory Account		20,316	
Kansas State Bank - Drug seizure		<u>166,363</u>	743,914

Funds held by Riley County Treasurer 2,445,726

Petty cash funds:

Investigation fund	4,259		
Record drawer	80		
Petty cash	<u>955</u>	<u>5,294</u>	3,194,934

SPECIAL CASH SEIZURE FUND

Checking accounts:

Kansas State Bank		20,186	
Kansas State Bank		4,014	
Kansas State Bank		<u>3,563</u>	27,763

FEES ACCOUNT FUND

Checking account:

Landmark National Bank			3,882
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INMATE FUND

Checking accounts:

Landmark National Bank		25,287	
Cash on hand		71	
Petty cash		<u>29</u>	<u>25,387</u>

TOTAL CASH BALANCES

\$ 3,251,966

See independent auditors' report.

SCHEDULE B - SCHEDULE OF FIXED ASSETS - (UNAUDITED)**RILEY COUNTY POLICE DEPARTMENT****December 31, 2010**

The Department's fixed assets are used in the performance of general departmental operations. Fixed asset valuations are based partially upon original cost. Depreciation of fixed assets is not recognized. The value of the assets obtained through donation or seized property is not recognized as income on the financial statements until the asset is sold.

The summary of fixed asset additions for the year ended December 31, 2010 is as follows:

	General	Seizure	Revenue Source	
	Fund	Fund	Federal	Total Additions
			Revenue	
Communications equipment	\$ 13,326			\$ 13,326
Guns and crime equipment	28,037	15,126		43,163
Furniture	16,768			16,768
Office equipment	128,240		29,255	157,495
Motor vehicles	199,367			199,367
TOTAL ADDITIONS	\$ 385,738	\$ 15,126	\$ 29,255	\$ 430,119

	Balance, January 1, 2010	Additions	Disposals	Balance, December 31, 2010
Communications equipment	\$ 379,528	\$ 13,326	\$ (7,206)	\$ 385,648
Guns and crime equipment	895,220	43,163	(52,391)	885,992
Furniture	85,555	16,768	(900)	101,423
Office equipment	1,300,585	157,495	(32,563)	1,425,517
Motor vehicles	1,544,473	199,367	(182,529)	1,561,311
Miscellaneous	12,955	-	(1,570)	11,385
TOTAL FIXED ASSETS	\$4,218,316	\$ 430,119	\$ (277,159)	\$ 4,371,276

A summary of the financing sources of fixed assets at December 31, 2010 is as follows:

General fund	\$ 2,937,099
Seizure fund (special revenue)	344,904
Federal revenues	1,012,215
State revenues	654
Seized/donated/cc/or	76,404
TOTAL ASSETS BY	
REVENUE SOURCE	\$ 4,371,276

Unaudited

GOVERNMENTAL AUDITING STANDARDS



REESE & NOVELLY, P.A.

Certified Public Accountants

Rick L. Reese, CPA
Nicholas J. Novelly, CPA
Carol E. McCullough, CPA

Annette D. Fiedler, CPA
Patricia E. Ungeheuer, CPA
Melanie L. Tuttle, CPA
Abbie R. Stierly, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Riley County Law Enforcement Agency Board
Manhattan, Kansas 66502

We have audited the accompanying financial statements of Riley County Police Department (Department), as of and for the year ended December 31, 2010, and have issued our report thereon dated July 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

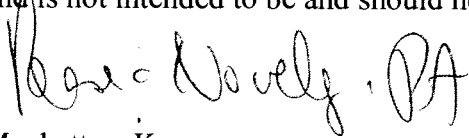
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Law Board, management, federal awarding agencies, and pass-through entities, and other parties designated by the governing body, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rose Novelly, PA". The signature is written in a cursive, flowing style.

Manhattan, Kansas
July 7, 2011